

17.a. By transferring receivables to a (unconsolidated) subsidiary, Lucent removed the receivables from its receivable balance and reported them as "Investments," a somewhat different asset category. Analytical adjustment is required to eliminate the artificial reported "improvements" in receivables turnover, the current ratio and the cash cycle.

b. The adjustment requires adding \$700 million (in addition to the balance of uncollected receivables) to the 1999 accounts receivable and current assets. The effect is to increase the growth in receivables, reduce the receivable turnover and increase the number of days receivables outstanding. This adjustment reinforces the conclusion (see text page 381) that Lucent's receivables growth outpaced the growth in sales. On the other hand, the adjustment improves the 1999 current ratio.

	1998	1999	Reported 2000	1999	Adjusted 2000
Balance of uncollected receivables	\$ 0	\$ 625	\$ 1,329		
Receivables transferred to QSPE		700			
				Adjustment: Add \$1,325	\$1,329
Accounts receivable	7,821	9,097	10,059	10,422	11,388
Current assets		19,240	21,490	20,565	22,819
Current liabilities		9,150	10,877	9,775	12,206
Sales	24,367	30,617	33,813		
Selected Trends and Ratios					
% Change in sales from 1998		26%	39%	26%	39%
% Change in A/R from 1998		16%	26%	33% (24%)	46%
# of days A/R outstanding	117	101	103	109 (105)	117 (114)
Current ratio	1.45	2.10	1.98	2.10(2.03)	1.87

Note: The bold values indicate which amounts were altered from Exhibit 11-4. The Exhibit 11-4 amounts for those items affected by the adjustment are shown in parentheses.